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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/59/524 and Add.1). It also provides a review of the Organization's financial situation as at 7 October 2005 and revised projections to 31 December 2005.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. By 7 October 2005, assessments for the regular budget, the international tribunals and the capital master plan were all higher than for 2004. Peacekeeping assessments were significantly lower than in 2004, but further assessments are expected before the end of the year. Unpaid assessments at 7 October 2005 were also higher for the regular budget, the tribunals and the capital master than at the end of 2004, although unpaid peacekeeping assessments were lower and past patterns of payment suggest that amounts for the regular budget and the tribunals may also be lower at the end of 2005 than they were at the end of 2004.

Projections for cash balances at the end of 2005 are higher than at the end of 2004 for all categories except peacekeeping, for which total cash balances are still expected to exceed $1.5 billion.

Amounts owed to troop and equipment providers are expected to increase somewhat more than expected in May owing to deployment of additional troops and formed police in Haiti, the Democratic Republic of the Congo and Côte d'Ivoire and the phasing in of troops in the Sudan. Another factor has been the delays in the signing of memorandums of understanding and a shortage of cash in some missions. Payment for troops and contingent-owned equipment were most behind for the United Nations Mission for the Referendum in Western Sahara, the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), the United Nations Peacekeeping Force in Cyprus and the United Nations Interim

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Administration Mission in Kosovo, and the cash position of MONUC makes December payments to troop contributors unlikely. Those factors have been partially offset by faster troop payments in some other Missions.

The financial position of the United Nations remains fragile, and some projected improvements are contingent on substantial payments in the final quarter of 2005, matching the pattern of earlier years. Otherwise, cash shortfalls are possible. The only way to ensure a more stable financial base for the work of the United Nations is for Member States to meet their financial obligations to the Organization in a full and timely fashion.

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/59/524 and Add.1). It also provides a review of the Organization's financial situation at 7 October 2005 and revised projections to 31 December 2005.

2. If the United Nations is to tackle the ever more numerous and challenging tasks entrusted to it by Member States, it is essential that the Organization have a strong and dependable financial base. While some progress has been made in that direction, serious problems remain.

3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation as at 7 October 2005

4. The review of the financial situation shows some increases in comparison with 31 December 2004. An increase in the level of activities is reflected in an increase in assessments approved by the General Assembly for the regular budget ($1.828 billion United States dollars in 2005 and $1.483 billion in 2004); the international tribunals ($295 million in 2005 and $273 million in 2004); and the capital master plan ($18 million in 2005 compared with nothing in 2004). Peacekeeping assessments issued in 2005 are currently below those issued by the end of 2004, but further assessments are expected before 31 December 2005, depending on action to be taken by the General Assembly and the Security Council. As at 7 October 2005, unpaid assessments for the regular budget, the tribunals and the capital master plan were also higher than at the end of 2004. Unpaid assessments for peacekeeping operations were lower, although still in excess of $2.1 billion.

5. The Secretary-General would like to pay a special tribute to the 14 Member States that have paid in full all assessed contributions due and payable at 7 October 2005 for the regular budget, peacekeeping operations, the international tribunals and the capital master plan: Australia, Azerbaijan, Canada, Croatia, Denmark, Finland, Germany, Ireland, Liechtenstein, New Zealand, Sierra Leone, Singapore, Sweden and Thailand. In addition, South Africa and the United Kingdom of Great Britain and Northern Ireland have paid their due and payable assessments in full since 7 October 2005. Other Member States are urged to follow the example of these countries.

A. Regular budget

6. By 7 October 2005, assessed contributions for the regular budget totalling over $739 million were still outstanding. This exceeds the amount outstanding at 30 September 2004 by over $14 million. Based on the past pattern of payments, it is expected that over $400 million will be received during the final quarter of 2005. That would reduce the amount outstanding at the end of 2005 compared with the end of 2004.

7. Of the total amount outstanding of $739 million, $606 million is accounted for by the United States of America, $64 million by Brazil and $22 million by Argentina. By 7 October 2005, 126 Member States had paid their assessments to the regular budget in full, a significant increase from the 109 Member States that had paid in full by 30 September 2004, and more than the 124 that had paid in full by 31 December 2004. The Secretary-General wishes to thank the 126 Member States that have honoured their obligations for the regular budget in full at 7 October 2005 and urges other Member States to follow their example.

8. At the end of 2004, $192 million of cash was available for the regular budget and in related reserve accounts. So far, cross-borrowing for the regular budget has not been necessary in 2005, and if past patterns of payment hold, it will not be necessary for the balance of the year. Indeed, aggregate cash available in the General Fund, the Working Capital Fund and the Special Account are expected to be over $100 million higher than at the end of 2004. It should be emphasized, however, that this positive picture depends crucially on payments during the last quarter of 2005 following the pattern of previous years.

B. Peacekeeping operations

9. Assessments for peacekeeping operations in 2004 exceeded $5 billion. The corresponding amount as at 7 October 2005 was $3.3 billion, but further assessments are expected to be authorized and issued by the end of 2005, depending on action to be taken by the General Assembly and the Security Council.

10. Peacekeeping assessments are issued throughout the year, as budgets are approved by the General Assembly and the mandates of each operation are extended by the Security Council. Although the total amount outstanding is more than $400 million lower than at the end of 2004, it still stands at over $2.1 billion, and as noted above, further assessments can be expected during 2005. On the other hand, it should be noted that the current total includes assessments of some $488 million, which were issued on 27 September 2005 and are therefore still within the 30-day due period.

11. Of the more than $2.1 billion that was outstanding at 7 October 2005, $607 million was owed by the United States of America, $576 million by Japan, $147 million by Ukraine, $109 million by France, $89 million by the Republic of Korea, $69 million by China and $56 million by Spain. The balance of $511 million was outstanding from 167 other Member States.

12. At 7 October 2005, 17 Member States (Australia, Azerbaijan, Canada, Croatia, Denmark, Egypt, Finland, Germany, Ireland, Liechtenstein, Micronesia (Federated States of), New Zealand, the Russian Federation, Sierra Leone, Singapore, Sweden and Thailand) had paid all peacekeeping assessments that were due and payable. Full payment was received subsequently from South Africa and the United Kingdom. All other Member States are urged to follow this example.

13. It is projected that cash available in peacekeeping accounts at the end of 2005 will total about $1.5 billion. Of this amount, $1.035 billion is expected to be in the accounts of active missions, $141 million in the Peacekeeping Reserve Fund and $345 million in the accounts of closed peacekeeping operations, including the

United Nations Mission in Bosnia and Herzegovina and the United Nations Iraq-Kuwait Observation Mission.

14. Of the $345 million in the accounts of closed operations, however, $262 million is payable to Member States or others or is held in accounts that have negative net cash balances. Since the General Assembly has decided that there should be no cross-borrowing from the accounts of active peacekeeping operations, this means that only $83 million will be potentially available for cross-borrowing for other accounts, including the regular budget, the tribunals and other peacekeeping operations. In this context, it should be noted that, during 2005, cross-borrowing for the tribunals and other peacekeeping operations rose as high as $79 million.

15. Given the uncertainties facing other accounts, the Secretary-General will propose that the available balances in the accounts of closed peacekeeping operations be retained for the time being.

C. International tribunals

16. In earlier reports, the Secretary-General has been obliged to draw the attention of Member States to the precarious financial position of the international tribunals for Rwanda and the former Yugoslavia. While there are some signs of improvement, the situation remains very fragile.

17. Unpaid assessments for the two tribunals doubled between 2002 and 2003, to almost $88 million. By the end of 2004, this amount had dropped to $30 million. By 7 October 2005, payments in the amount of $253 million had been received — slightly higher than by 30 September 2004. Unpaid assessments totalled $73 million at 7 October 2005, against $111 million at 30 September 2004. While an improvement, this is still much higher than the $30 million outstanding at 31 December 2004, and the continued financial viability of the tribunals will depend on the receipt of significant amounts during the final quarter of 2005.

18. Of the $73 million outstanding as at 7 October, the United States and Japan both owed about $28 million, Argentina owed over $3 million, and Brazil accounted for over $2.6 million. The balance of $11 million was owed by 108 other Member States.

19. Reflecting the disturbing failure of Member States to honour their commitments to the tribunals, as at 7 October 2005 no fewer than 112 Member States still had assessed contributions outstanding for one or both tribunals, and 10 Member States had made no contributions to the tribunals since their inception. By contrast, as at the same date, 65 Member States still had unpaid assessed contributions for the regular budget.

20. Even if the contributions expected are actually received, it is anticipated that cross-borrowing will be needed for the Rwanda tribunal, and if there are any shortfalls, the borrowing requirement could be significantly larger. The Secretary-General wishes to express his appreciation to the 79 Member States that have paid their assessed contributions in full by 7 October. In view of the continuing fragility of the tribunals' finances, he urges other Member States to follow their example.

III. Debt to Member States

21. The forecast in May 2005 was that the Organization would owe Member States a total of $628 million for troop and equipment costs at the end of the year against a total of $549 million at the end of 2004. The revised forecast now is $779 million as at 31 December 2005. The increase in the total debt is due to a number of factors, including a delay in the phasing in of troops in the United Nations Mission in the Sudan, delays in the signing of memorandums of understanding with troop providers, the deployment of additional troops and police to the United Nations Stabilization Mission in Haiti, MONUC and the United Nations Operations in Côte d'Ivoire and a shortage of cash in some Missions. The current cash position of MONUC makes December payments to troop contributors unlikely.

22. The Secretary-General remains fully committed to reducing the level of this debt to Member States to the maximum extent possible, given the operational requirements of each mission. As usual, the extent to which he can do this will depend on the degree to which all Member States meet their financial obligations to the Organization.

IV. Conclusions

23. **Although the financial situation is expected to show further improvement by the end of 2005, this is very much dependent on the receipt of significant payments by the end of the year. Serious problems remain, and the Organization's capacity to weather significant shortfalls is very limited, since the resources available for cross-borrowing are not substantial. In this connection, the importance of Member States paying their assessed contributions in a fuller and more timely fashion cannot be overemphasized.**